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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

In the Matter of )  
Federal-State Joint Board on ) CC Docket No. 96-45  
Universal Service )

**COMMENTS OF THE SOUTHERN NEW ENGLAND TELEPHONE COMPANY  
ON PETITIONS FOR RECONSIDERATION AND/OR CLARIFICATION**

The Southern New England Telephone Company ("SNET") respectfully submits these limited comments on Petitions for Reconsideration and/or Clarification in this proceeding.<sup>1</sup> SNET is the incumbent local exchange carrier serving nearly all of the State of Connecticut, with over two million access lines in service. SNET specifically supports those parties who object to the Commission's treatment of the federal Lifeline program as a "service" subject to the resale provisions of the Telecommunications Act of 1996 ("Act"), as well as those who encourage the Commission to allow resellers to receive federal Lifeline reimbursement directly from the federal support mechanism.<sup>2</sup> SNET urges the Commission to change the definition of Lifeline in its Report and Order so that it is defined as a credit program, rather than a service to be available at wholesale rates. Also, SNET encourages the Commission to allow resellers to receive reimbursement for Lifeline credits directly from the federal universal service support mechanism.

USTA asserts that Lifeline should not be treated as a service subject to the resale provisions of the Act. SNET supports this position for a variety of reasons.

<sup>1</sup> In the Matter of Federal-State Joint Board on Universal Service, Report and Order CC Docket No. 96-45, released May 8, 1997.

<sup>2</sup> See Petition for Reconsideration And/Or Clarification of United States Telephone Association ("USTA") at pp. 13-14. See Also Petition for Reconsideration of the Kansas Corporation Commission at pp. 1-3.

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States should be allowed to continue or establish low income assistance programs as they deem appropriate. Some states may choose to offer a local exchange Lifeline service at a favorable rate for qualifying end user customers that is subject to the resale provisions of the Act. Other states, however, offer a credit as provided in the current FCC rules at Part 69.104(k), thus enabling end user customers to be eligible for the federal \$3.50 Lifeline credit as well. This current ability of a state to choose the manner in which to provide intrastate services, including reaching out to low income end users, is consistent with the Eighth Circuit's recent decision in Iowa Utilities Board v. FCC.<sup>3</sup>

In particular, the Connecticut Lifeline Assistance Program, reviewed and adopted by the Connecticut Department of Public Utility Control ("DPUC") in 1993,<sup>4</sup> should be allowed to continue in its present form, i.e., as a credit rather than service offering. The state program provides the end user customers with a \$3.50 credit to apply toward the monthly rate for the (intrastate) local service of their choice, in addition to the \$3.50 credit applied toward their federal subscriber line charge. Evidence of the success of this program can be found in recent Telephone Subscribership Reports<sup>5</sup> which consistently show Connecticut to have one of the highest subscribership levels in the nation. In

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<sup>3</sup> Iowa Utilities Board, et al, v. Federal Communications Commission, 1997 U.S.App.LEXIS 18183,(8th Cir. July 18, 1997). The Court found that Section 2(b) of the Communications Act of 1934, 47 U.S.C. 152(b) is relevant and provides that "nothing in this chapter shall be construed to apply or to give the [FCC] jurisdiction with respect to ... charges, classifications, practices, services, facilities, or regulations for or in connection with intrastate communications service."

<sup>4</sup> The current Connecticut Lifeline Assistance Program was ordered by the DPUC in Docket No. 92-09-19, Application of the Southern New England Telephone Company to Amend its Rates and Rate Structure, Decision dated July 7, 1993. Specifically, the DPUC ordered: "...the Company shall begin the actions necessary to participate in the FCC's Lifeline Assistance Program, Plan 2. In particular, the Company shall provide for a \$7.00 monthly credit based on the 50/50 sharing mechanism [50% State/50% Federal] included in Plan 2 so that subscribers can begin taking part in the program on October 1, 1993." page 167.

<sup>5</sup> See, for example, FCC Industry Analysis Division, Common Carrier Bureau, Telephone Subscribership in the United States (Data Through July 1996), released September, 1996.

addition, because the Connecticut program allows eligible customers to apply the credit to the local service of their choice, this customer group has maximum choice available to it, both with respect to local service options and providers.

Furthermore, allowing states to continue their existing federally matched state lifeline credit programs is consistent with the Act which properly designated Lifeline Assistance as a program not a service. Significantly, the Act also mandates that such program not be changed.<sup>6</sup>

For these reasons, SNET urges the Commission to modify its rules so that programs like the Connecticut Lifeline Assistance Program can continue to provide support to qualified end users.

As USTA and the Kansas Corporation Commission (“KCC”) have petitioned, resellers should be able to receive Lifeline reimbursement directly from the federal support mechanism. As the KCC mentioned, the recent Commission decision precluding resellers from receiving reimbursement for Lifeline directly from the federal fund is administratively burdensome. In addition, Section 254 of the Act sets out the principles upon which policies for the preservation and advancement of universal service are to be based. These principles provide that universal service support take the form of direct, explicit subsidies involving all carriers. Following these principles, all carriers should be responsible for applying the Lifeline program as well as receiving equal treatment in obtaining reimbursement for the credits provided to end users.

Similarly, since the Act mandates that the Lifeline Assistance program not be changed, the existing rules which require a direct end user-carrier relationship should be

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<sup>6</sup> Act, Section 254(j).

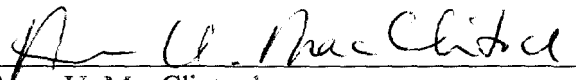
maintained. Clearly, Congress's intent was to continue and expand the success of the current program, which can best be achieved by maintaining the current requirement of a direct carrier - end user relationship.

Just as the Report and Order provides that all telecommunications service providers, including resellers, are eligible to receive reimbursement for discounts provided pursuant to the education and rural healthcare programs, such providers should also be allowed to receive support for Lifeline. The principles behind allowing all providers to receive direct reimbursement for the education and rural healthcare programs is promotion of competition for services provided to these groups. Similarly, low income customers should not be disadvantaged, but rather should be allowed to obtain service from any telecommunications service provider and still be eligible for the Lifeline Credits.

Therefore, SNET urges the Commission to correct the definition of Lifeline so that it is defined as a program, rather than a service. Furthermore, the Commission should allow resellers to receive reimbursement for the Lifeline Assistance Program directly from the federal universal service support mechanism.

Respectfully submitted,

The Southern New England Telephone Company

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